



Michigan Association of Health Plans

May 15, 2013

To: Members of the Michigan Senate Appropriations Committee

From: Rick Murdock, Executive Director

Subject: SB 335 (Health Insurance Claims Assessment Act)

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*Michigan Association of
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The Michigan Association of Health Plans has been involved and supportive in the development of PA 142 of 2011 and its implementation. Our support has also extended to supporting the state in fighting the litigation against this legislation. We recognize as many other do that without SB 335 and its enactment yet this year, the current Medicaid program will face significant reductions of over \$1.2 billion dollars. The reality is that reductions of this magnitude will be mostly directed at our provider partners and safety net providers.

We encourage the Senate consideration and support of this legislation with the following change: *Deletion of the provision in Section 3(1) to adjust the assessment rate every three years beginning in January of 2017.*

We make this recommendation for two reasons. The first is that the health care claims will reflect the ongoing inflation naturally occurring in health care—and to adjust further the assessment rate to accommodate inflation will—in effect—be adjusting for inflation twice. Second—and more importantly is the balance that our association and others have taken in accepting HICA and the cost of the assessment—which is passed on to those paying premiums or companies responsible for self-insurance.

With the anticipated new costs (new federal premium tax, costs related to the participation on the insurance exchange among others) coming to the insurance industry due to the Affordable Care Act, (ACA) beginning in 2014, any additional costs that will then increase insurance premiums beyond the existing HICA assessment of 1% becomes excessive.

We realize that there remains a shortfall from the projected total revenue that we hope will continue to be mitigated by increased coverage in both new Medicaid enrollment and new coverage provided via the insurance exchange as well as by the natural growth in costs due to inflation as mentioned above.

Thank you for your consideration of our position regarding this important source of revenue to Michigan's Medicaid program.